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State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Executive Director

Division of Oil, Gas and Mining

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Outgoing

C0070039

4052

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June 29, 2012

Erwin Sass, General Manager
Canyon Fuel Company, LLC
Dugout Canyon Mine
P.O. Box 1029
Wellington, UT. 84542

Subject: 2011 Annual Report Review Completion, Dugout Canyon Mine, C/007/0039, Task #4052

Dear Mr. Sass:

The Division staff has completed the review of the 2011 Annual Report. Enclosed is a copy of the review with each reviewer's comments completed on June 29, 2012. Please submit the following items by July 23, 2012 as separate amendment(s) with the appropriate C1/C2 forms for inclusion in the mining and reclamation plan (MRP):

- Please submit PE certified documentation of the current elevation of the waste, volumes hauled and remaining capacity of the waste rock site to confirm compliance with the specified design for the waste rock site, MRP Refuse Volume: Plate 5-1, Plate 5-1A and RA Attachment 5-3.

Thank you for your diligence in completing the Annual Report. If you have any questions, please call me at (801) 538-5325.

Sincerely,

Daron R. Haddock
Coal Program Manager

DRH/sqs
Enclosure

cc: Price Field Office

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Annual Report

This Annual Report shows information the Division has for your mine. Submit the completed document and any additional information identified in the Appendices to the Division by **March 30, 2012**. During a complete inspection an inspector will check and verify the information.

GENERAL INFORMATION

Company Name	Canyon Fuel Company, LLC	Mine Name	Dugout Mine
Permit Number	C/007/0039	Permit expiration Date	3/17/2013
Operator Name	Same	Phone Number	+1 (435) 637-6360
Mailing Address	PO Box 1029	Email	vmiller@archcoal.com
City	Wellington		
State	Utah	Zip Code	84542

DOGM File Location or Annual Report Location

Excess Spoil Piles

- ☐ Required
☒ Not Required

Refuse Piles

- ☒ Required
☐ Not Required

Impoundments

- ☒ Required
☐ Not Required

Other:

Attached, included on CD.
Attached, included on CD.

OPERATOR COMMENTS

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REVIEWER COMMENTS

☐ Met Requirements ☒ Did Not meet Requirements

Reviewed by James Owen: Certified Refuse Pile and Impoundment inspection forms were included with the annual report. No failures or instabilities were reported.

Reviewed by Priscilla Burton on 6/15/2012. According to the certified inspection reports the refuse site was active in the first and second quarters of 2011. There were 16 samples (representing 80,000 cu yds) taken in the 3rd and 4th quarters, but the certified reports do not indicate any haulage during the 3rd or 4th quarters. Sampling may have lagged behind the transport, but it is not possible to know without some additional documentation.

COMMITMENTS AND CONDITIONS

The Permittee is responsible for ensuring annual technical commitments in the Mining and Reclamation Plan and conditions accepted with the permit are completed throughout the year. The Division has identified these commitments below and has provided space for you to report what you have done during the past year for each commitment. If additional written response is required, it should be filed as an attachment to this report.

Title: ANNUAL RAPTOR SURVEYS

Objective: To obtain baseline data prior to mining disturbances including subsidence of cliff habitat and any surface disturbances (construction, reclamation, or exploration). Conduct follow-up surveys within one year if nests were observed during the baseline surveys and if the nest or raptors could be impacted from mining (subsidence or proximity to surface facilities).

Frequency: Annually

Status: Ongoing

Reports: Annual

Citation: MRP, Volume 2, Chapter 3, Section 322, Page 3-13

Operator Comments

Completed and included on CD.

Reviewer Comments ☒ Met Requirements

☐ Did Not Meet Requirements

Reviewed by Ingrid Campbell 5/24/2012: The 2011 raptor survey was conducted by Dr. Patrick Collins of Mt. Nebo Scientific. Dr. Collins conducted a ground survey during the first week of June since snowpack conditions prevented earlier access. Known nests in areas over subsidence zones for 2011 mining were monitored. No Hawks or Eagles were seen during the survey.

Title: SUBSIDENCE MONITORING VISUAL INSPECTIONS

Objective: To check for surface subsidence features.

Frequency: Annually

Status: Ongoing

Reports: Annual

Citation: MRP, Volume 3, Chapter 5, Section 525.100, page 5-29

Operator Comments

During 2011 a walking inspection for subsidence began in May and ended in October. No new subsidence cracks or features were found. The area adjacent to drill pad G-7 which has previously subsided was inspected for the extension or reduction of existing cracks. Due to the very wet conditions of 2011 several of the cracks were in need of some shovel work. The crack maintenance was completed by Vicky Miller in October. Water monitoring and the subsidence survey were done on the following dates. May 3, 12, 16, 24, 31; June 7, 10, 12, 14 - 15, 23 - 25, 27 - 30; July 13 - 15, 27 - 28; August 2 - 5, 9 - 11, 16 - 18; and October 11 - 13.

Reviewer Comments



Met Requirements



Did Not Meet Requirements

Reviewed by James Owen. Updated subsidence data was included with the subsidence map and report. No significant subsidence was recorded for 2011. The Subsidence monitoring locations plotted in relation to mining activities.

Title: WASTE ROCK SAMPLING

Objective: To protect ground and surface water and potentially substantiate lesser cover at the waste rock site.

Frequency: One sample per 5,000 cubic yards taken to the waste rock site. Acid/toxic material to be buried within 30 days and should be compacted, and isolated from water infiltration.

Status: Ongoing

Reports: Annual report, and to be included in RA attachment 5-4.

Citation: MRP, Chapter 5, Section 523.400, Section 528.300, Section 536 and Refuse Pile Amendment Volume, Section 536.

Operator Comments

Completed, included on CD.

"Citation" references as listed above are incorrect.

Reviewer Comments



Met Requirements



Did Not Meet Requirements

Reviewed by Priscilla Burton on 6/15/2012. The citation above should read "MRP, Chapter 5 Sections 513.400, 528.300, 536 and the Refuse Pile Amendment Volume Section 536.200" However the requirement for sampling once every 5,000 cu yds is accurate. Thirty seven analyses included in the annual report have been previously reviewed in the 4th quarter of 2011 as Tasks 3945 and 3952. Sixteen samples drawn from the waste on or after July 3, 2011 have not been previously reviewed for inclusion in Refuse Volume Attachment 5-4. These latter samples indicate that the waste is largely non-toxic/non-acid forming. A few samples have limited carbonate buffering capacity, but all the analyses indicate adequate neutralization potential for the pyritic sulfur content. In total, fifty three samples were taken in 2011. Based upon a rate of 1 sample/5,000 yards, this may indicate that approximately 265,000 cu yds were hauled to the waste rock site this year. I am not able to confirm whether the requirements were met for sampling, because there is no indication in the annual report of the volumes or tonnage placed during the year into the refuse pile, nor is there reference to the existing or remaining capacity in the pile. The August 18, 2010 certification (2010 Annual Report) indicated that the remaining capacity of the waste rock site was 576,078 tons. Based upon the number of samples taken in 2011, and the density conversion provided in RA Attachment 5-3, an additional 393,525 tons were placed at the site in 2011. The waste rock site may have the capacity for an additional 180,000 tons.

FUTURE COMMITMENTS AND CONDITIONS

The following commitments are not required for the current annual report year, but will be required by the permittee in the future as indicated by the "status" field. These commitments are included for information only, and do not currently require action. If you feel that the commitment is no longer relevant or needs to be revised, please contact the Division.

Title: OVERBURDEN SAMPLING AND ANALYSIS
Objective: Generate quality substitute topsoil
Frequency: At Final Reclamation
Status: long term
Reports: at final reclamation
Citation: MRP, Chapter 2, Section 224, Section 233.100, .300, and .400.
Title: NUTRIENTS AND AMENDMENTS
Objective: Establishment of vegetation
Frequency: At final reclamation
Status: Long term
Reports: At final reclamation
Citation: MRP, Chapter 2, Section 243; Refuse Pile Amendment Volume, Section 243.

OPERATOR COMMENTS (OPTIONAL)

REVIEWER COMMENTS
The aforementioned commitments will be required during final reclamation of the mine site. As the mine site is still actively mining, they are not applicable at this time.

REPORTING OF OTHER TECHNICAL DATA

Please list other technical data or information that was not included in the form above, but is required under the approved plan, which must be periodically submitted to the Division.

Please list attachments:

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Reviewer Comments

NA

MAPS

Copies of mine maps, current and up-to-date through at least December 31, 2011, are to be provided to the Division as an attachment to this report in accordance with the requirements of R645-301-525.240. The map copies shall be made in accordance with 30 CFR 75.1200 as required by MSHA. Mine maps are not considered confidential.

Map Name	Map Number	Included		Confidential	
		Yes	No	Yes	No
Annual subsidence map		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mine Map Rock Canyon Seam		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Mine Map Gilson Seam		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reviewer Comments ☒ Met Requirements ☐ Did Not Meet Requirements

Please note that mine maps are not considered confidential as specified by R645-300-124.300.

A paper signed copy of the mine maps has been included with the CD containing and electronic version of the maps. Other required documentation is included on the CD with the maps.